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Summary record of the 11th meeting
Held at Headquarters, New York, on Friday, 18 October 2002 at 10 a.m.

Chairman: Mr. Kendall (Vice-Chairman) ..... (Argentina)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.10 a.m.

Agenda item 110: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/57/5, vol. I, III and IV and Corr.2 and 3, A/57/5/Add.1 to 9 and Corr.1, A/57/5/Add.10 and Corr.2, A/57/5/Add.11 and Corr.1 and 2, A/57/5/Add.12 and Corr.1, A/57/201, A/57/416 and A/57/439)

1. **Mr. Fakie** (Chairman of the Board of Auditors), responding to the comments made by members of the Committee on the reports of the Board of Auditors, said that he was pleased to note the importance attached by the Committee and by the Advisory Committee on Administrative and Budgetary Questions to the work of the Board of Auditors.

2. In order to optimize the benefit of the Board's reports, it was indeed important that they should be distributed well in advance; the deadline for submission was usually 30 June following a financial period ending 31 December. All the Board's reports submitted to the Committee had been signed by the members of the Board on 27 June 2002 and officially transmitted to the Secretariat within a few days thereafter. As the representatives of China, the United States of America, the Republic of Korea and the European Union had noted, there had been editorial and translation delays in making those reports available. The European Union had also raised concerns about the quality of the translations, and the Administration had acknowledged, through a corrigendum issued on 16 October 2002, that the Board had signed only the original English version of those reports. The Audit Operations Committee had taken the initiative to discuss the matter with the Administration, which had agreed to consider the necessary steps to prevent a recurrence of the situation.

3. One of the key matters addressed by the European Union and associated countries had to do with governance and accountability. The Board was of the view that it was an opportune time for the Committee and the respective administrations to consider closer compliance with governance structures and principles in line with international best practices and with the Secretary-General's reform process, while simultaneously meeting the needs of Member States. The Board would monitor such developments and comment on the matter at appropriate times.

4. In accordance with the recommendation of the Advisory Committee, and as noted by the representatives of the United States of America, Norway, the Republic of Korea and the European Union, revised criteria for reporting on the status of implementation of its previous recommendations were being developed with the various administrations. The Board was of the view that it was for the administrations to measure the impact, even though the auditors gave consideration to the information provided during the course of an audit. The representatives of Norway and the Republic of Korea had asked why certain recommendations had not been implemented. The various reports included an annex which contained the comments of the Administration as well as the Board's further comments in that regard.

5. With regard to the concern expressed by the European Union and associated countries at the practice of obligating the majority of funds in the latter part of a financial period, he said that the practice was not unique to UNICEF. The Board believed that organizations must ensure that proper procedures were in place to ensure that the certifying and approving functions were effective. Such procedures would prevent loading of expenditure towards the end of the financial period or incurring over-expenditure. Improved procurement planning would also promote better controls.

6. The representatives of China, the United States and the European Union had expressed concern that certain trust funds remained inactive for lengthy periods. Although the problem should be addressed by the administrations concerned, the United Nations and some of its funds and programmes had made a major effort to resolve the issue. Closing inactive projects involved not only financial procedures, but also assessments by the programme managers. The Board had encouraged the bodies concerned to increase their efforts to bring the situation under control. The Board had also pointed out in its various reports that it was quite disconcerting that some funds and programmes were actually in deficit, which meant that they were advancing funds to finance certain activities and could subsequently face difficulties in seeking reimbursement.

7. The Board shared the concern expressed by the representative of the Republic of Korea regarding trust funds in deficit, since there were clear regulations and rules requiring that contributions should be paid in advance of the allocation of resources for planned activities. Stricter compliance with such directives and monitoring, together with adherence to agreed payment

plans, would promote financial discipline in the area of trust fund management.

8. The Board also shared the concerns expressed by the representatives of the United States, Norway, the Republic of Korea and the European Union concerning the precarious financial situation of certain organizations, and agreed that budgets should be drawn up as a function of available resources. With regard to the particular concerns about the United Nations Office for Project Services (UNOPS), the Board considered that the steps taken by Member States to ensure its financial viability and separate identity might have a significant impact on its financial position.

9. As to the comments by the representatives of China and the United States on the employment and payment of consultants and the hiring of personnel, the audits had disclosed that the deficiencies were mainly due to failure by the administrations concerned to apply existing guidelines and procedures. The Board would continue to monitor those concerns as well as the implementation of the new staffing system introduced in May 2002.

10. The Board would also continue to follow up on the implementation of its recommendations concerning the International Tribunals for the former Yugoslavia and for Rwanda, in accordance with the Advisory Committee's recommendations contained in its report (A/57/439), in particular regarding the need for a completion strategy and monitoring of defence counsel costs, which were of concern to the United States, the Republic of Korea and the European Union.

11. With regard to costs for national execution, the representatives of the United States, Norway, the Republic of Korea and the European Union had expressed concerns about the reasons leading the Board to modify its audit opinion. The Board would follow up on the steps taken to address the problems leading to those modified reports, as requested by the Advisory Committee in its report (A/57/439).

12. As the representative of the Republic of Korea had noted, closer coordination was needed among the organizations of the United Nations system in respect of information and communications technologies, and the Board planned to consider further strategies in that area.

13. The members of the Board were grateful to the Advisory Committee and to the representatives of Norway and the European Union for their recognition that the Board must have adequate resources to do its work without undue restrictions on the scope of audits requiring special expertise. The Board would provide the information requested by the Advisory Committee and communicate its future needs through it. The Audit Operations Committee was prepared to provide clarifications during the informal consultations on that agenda item.

14. **Mr. Halbwachs** (Controller), recalling the essential role of the Board of Auditors, said that, as the members of the Committee had been able to see, major progress had been made in the application of the Board's recommendations. The Secretariat was determined to continue its efforts in that regard. The ongoing dialogue between the Secretariat and the Board was particularly useful.

15. Delegations had posed three questions relating to the financial situation of the Organization and its financial reports. With regard to the recommendation that Geneva trust funds should be administered by the United Nations Office at Geneva, that was already the case for most of those funds. The Secretariat, which had undertaken a study of all trust funds as a whole in order to simplify administrative procedures and thereby facilitate their management and utilization, was awaiting with interest the comments of the Board, and would report on the results of the study at the next session of the Committee.

16. In general, the advances made from the Central Emergency Revolving Fund were paid promptly. There were exceptions, however, and the payment of advances was sometimes deliberately delayed when the recipient body was too late in reimbursing those advances. With regard to the advance made to UNDP, the Secretariat was in consultation with the competent authorities in order to obtain the reimbursement, which was already four months late.

17. Concerning inactive trust funds, the Secretariat had succeeded in closing some of them, but it was aware of the need for further effort in that area. He had designated a staff member to work on that problem full time and hoped to be able to report significant progress at the next session. In that regard, the Secretariat hoped that Member States which had made contributions to inactive funds would respond without delay to the requests for information on how they would like to see those resources put to use.

The meeting rose at 10.30 a.m.